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QUARTERLY STATEMENT

AS OF MARCH 31, 2007 OF THE CONDITION AND AFFAIRS OF THE

Tennessee Behavioral Health, Inc. Employer's ID Number 62-1621636 NAIC Company Code 95780 0000 NAIC Group Code 0000 Tennessee State of Domicile or Port of Entry Organized under the Laws of **United States** Country of Domicile Dental Service Corporation [] Property/Casualty [] Life, Accident & Health [] Licensed as business type: Health Maintenance Organization [] Vision Service Corporation [] Other [] Is HMO, Federally Qualified? Yes [] No [] Hospital, Medical & Dental Service or Indemnity [] 07/01/1996 12/15/1995 Commenced Business Incorporated/Organized Nashville, TN 37201 (City or Town, State and Zip Code) 222 Second Ave. N. Suite 220 Statutory Home Office 615-313-4463 Code) (Telephone I 222 Second Ave. N. Suite 220 Nashville, TN 37201 Main Administrative Office Nashville, TN 37201 222 Second Ave. N. Suite 220 (City or Town, State and Zip Co Nashville, TN 37201 615-313-4463 222 Second Ave. N. Suite 220 Primary Location of Books and Records Internet Website Address 410-953-1643 Michael Fotinos Statutory Statement Contact (Area Code) (Telephone Number) (Extension) 410-953-5205 mdfotinos@magellanhealth.com (E-Mail Address) Policyowner Relations Contact (Area Code) (Telephone Number) (Extension) (Street and Number) **OFFICERS** Name Title Title Name Secretary **Andrew Mark Cummings** President Russell C. Petrella **OTHER OFFICERS DIRECTORS OR TRUSTEES** Mark Steven Demilio Russell C. Petrella County of The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions thereform for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures. according to the best of their information, knowledge and belief completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement. Andrew Mark Cummings President Secretary a. Is this an original filing? Yes [X] No [] Subscribed and sworn to before me this day of May

> RAYMONDE A. PELLETIER NOTARY PUBLIC
> MY COMMISSION EXPIRES AUG. 31, 2008

> > 2007 JUN - 1 AM 10: 1 C&I TENNCARE

1. State the amendment number

3. Number of pages attached

2. Date filed

ASSETS

			Current Statement Date		4
		1	2	3 Net Admitted Assets	December 31 Prior Year Net
		Assets	Nonadmitted Assets	(Cols. 1 - 2)	Admitted Assets
	Bonds	2,402,603		2,402,603	2,600,002
2.	Stocks:				
	2.1 Preferred stocks				0
	2.2 Common stocks			0	0
3.	Mortgage loans on real estate:				
	3.1 First liens				0
	3.2 Other than first liens			0	0
4.	Real estate:				
	4.1 Properties occupied by the company (less				
	\$ encumbrances)			0	0
	4.2 Properties held for the production of income				
	(less \$ encumbrances)			0	0
	4.3 Properties held for sale (less				
	\$encumbrances)			0	0
5	Cash (\$45,180,583),				
0.					
	cash equivalents (\$				
	and short-term investments (\$	45,180,583			
6.	Contract loans, (including \$premium notes)			0	0
7.	Other invested assets		0		0
8.	Receivables for securities				0
	Aggregate write-ins for invested assets		0		0
10.	Subtotals, cash and invested assets (Lines 1 to 9)	47 , 583 , 186	0	47 , 583 , 186	44 , 105 , 187
11.	Title plants less \$charged off (for Title insurers				
	only)			0	0
12.	Investment income due and accrued	9 , 534		9 , 534	61,332
13.	Premiums and considerations:				
	13.1 Uncollected premiums and agents' balances in the course of				
	collection	4.641.502		4.641.502	3.531.316
	13.2 Deferred premiums, agents' balances and installments booked but				,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
	deferred and not yet due (including \$earned				
	but unbilled premiums)earned			0	0
					0
	13.3 Accrued retrospective premiums.				
14.	Reinsurance:				0
	14.1 Amounts recoverable from reinsurers			0	L
	14.2 Funds held by or deposited with reinsured companies				0
	14.3 Other amounts receivable under reinsurance contracts				0
	Amounts receivable relating to uninsured plans				0
	Current federal and foreign income tax recoverable and interest thereon				0
16.2	Net deferred tax asset			0	0
17.	Guaranty funds receivable or on deposit			0	0
18.	Electronic data processing equipment and software			0	0
19.	Furniture and equipment, including health care delivery assets				
	(\$)			0	0
20.	Net adjustment in assets and liabilities due to foreign exchange rates			0	0
21.	Receivables from parent, subsidiaries and affiliates	128,321	8,782	119,539	8,782
22.	Health care (\$16,769) and other amounts receivable	16,769	16,769	0	100,000
23.	Aggregate write-ins for other than invested assets	0	0	0	0
24.	Total assets excluding Separate Accounts, Segregated Accounts and				
	Protected Cell Accounts (Lines 10 to 23)	52,379,312	25,551	52,353,761	47,806,617
25.	From Separate Accounts, Segregated Accounts and Protected				
	Cell Accounts			0	0
26.	Total (Lines 24 and 25)	52,379,312	25,551	52,353,761	47,806,617
	DETAILS OF WRITE-INS				,
<u>1901</u>	DETAILS OF WRITE-INS				
			•		
			•		
			^	^	^
	Summary of remaining write-ins for Line 9 from overflow page		0	0	0
	Totals (Lines 0901 through 0903 plus 0998)(Line 9 above)	0	0	0	0
	Risk Share Receivable			0	0
	Summary of remaining write-ins for Line 23 from overflow page		0	0	0
2399.	Totals (Lines 2301 through 2303 plus 2398)(Line 23 above)	0	0	0	0

${\bf STATEMENT\ AS\ OF\ MARCH\ 31,\ 2007\ OF\ THE\ Tennessee\ Behavioral\ Health,\ Inc.}$

LIABILITIES, CAPITAL AND SURPLUS

	LIABILITIES, SAI		Current Period		Prior Year
		1	2	3	4
		Covered	Uncovered	Total	Total
1.	Claims unpaid (less \$ reinsurance ceded)				16,424,922
2.	Accrued medical incentive pool and bonus amounts				0
3.	Unpaid claims adjustment expenses				0
4.	Aggregate health policy reserves				0
5.	Aggregate life policy reserves			0	0
6.	Property/casualty unearned premium reserve			0	0
7.	Aggregate health claim reserves			0	0
8.	Premiums received in advance			0	0
9.	General expenses due or accrued	376,408		376,408	321,852
10.1	1 Current federal and foreign income tax payable and interest thereon (including				
	\$ on realized gains (losses))	7 , 210 , 544		7 , 210 , 544	6,461,693
10.2	Net deferred tax liability			0	0
11.	Ceded reinsurance premiums payable			0	0
12.	Amounts withheld or retained for the account of others			0	0
13.	Remittances and items not allocated			0	0
14.	Borrowed money (including \$ current) and				
	interest thereon \$(including				
	\$current)			0	0
15.	Amounts due to parent, subsidiaries and affiliates				
	Payable for securities				0
	Funds held under reinsurance treaties with (\$				
	authorized reinsurers and \$unauthorized				
	reinsurers)			0	0
18.	Reinsurance in unauthorized companies				0
	Net adjustments in assets and liabilities due to foreign exchange rates				
19.					· · · · · · · · · · · · · · · · · · ·
20.	y				
21.	Aggregate write-ins for other liabilities (including \$			0. 504.000	F 000 000
	current)				
22.	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,				
23.	35 -5				
	Common capital stock				
25.	Preferred capital stock				
26.	Gross paid in and contributed surplus				
27.	•				
28.					
29.	Unassigned funds (surplus)	XXX	XXX	8,060,466	6,607,549
30.	Less treasury stock, at cost:				
	30.1shares common (value included in Line 24)				
	\$)	XXX	XXX		0
	30.2shares preferred (value included in Line 25)				
	\$)		XXX		0
31.	Total capital and surplus (Lines 23 to 29 minus Line 30)	xxx	XXX	20 ,743 ,502	19,290,585
32.	Total liabilities, capital and surplus (Lines 22 and 31)	XXX	XXX	52,353,761	47,806,617
	DETAILS OF WRITE-INS				
2101.	Premium Tax Payable	952,710		952,710	1,001,169
2102.	Unclaimed Property	166 , 155		166 , 155	158 , 444
2103.	Payable to State of Tennessee/Risk Share Payable	5,445,827		5,445,827	3,903,067
2198.	Summary of remaining write-ins for Line 21 from overflow page	0	0	0	0
2199.	Totals (Lines 2101 thru 2103 plus 2198) (Line 21 above)	6,564,692	0	6,564,692	5,062,680
2301.		xxx	xxx		
2302.		xxx	xxx		
2303.		xxx			
2398.	Summary of remaining write-ins for Line 23 from overflow page				0
	Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	xxx		0	0
				-	
2802.					
2803.					
2898.					0
	Totals (Lines 2801 thru 2803 plus 2898) (Line 28 above)	XXX	XXX	0	0
೭೮೮೮.	rotaio (Lines 2001 tinu 2000 pius 2030) (Line 20 abuve)		^^^	U	0

STATEMENT OF REVENUE AND EXPENSES

	STATEMENT OF REVENUE AN	Current Year	Prior Year To Date	
		1 Uncovered	2 Total	3 Total
1.	Member Months	XXX		
	Net premium income (including \$ non-health premium income)			
3.	Change in unearned premium reserves and reserve for rate credits			
4.	Fee-for-service (net of \$ medical expenses)			
5.	Risk revenue			
6.	Aggregate write-ins for other health care related revenues			
7.	Aggregate write-ins for other non-health revenues			
8.				
	Hospital and Medical:			
9.	Hospital/medical benefits		19,377,188	18,694,735
10.	Other professional services		21,119,501	19,610,649
11.	Outside referrals			0
12.	Emergency room and out-of-area			0
13.	Prescription drugs			0
14.	Aggregate write-ins for other hospital and medical.	0	0	0
15.	Incentive pool, withhold adjustments and bonus amounts			0
16.	Subtotal (Lines 9 to 15)	0	40,496,689	38,305,384
	Less:			
17.	Net reinsurance recoveries			0
18.	Total hospital and medical (Lines 16 minus 17)	0	40,496,689	38,305,384
19.	Non-health claims (net)			0
20.	Claims adjustment expenses, including \$cost containment expenses		491,082	480,609
21.	General administrative expenses		5,050,154	4,992,559
22.	Increase in reserves for life and accident and health contracts including			
	\$increase in reserves for life only)			
23.	Total underwriting deductions (Lines 18 through 22)	0	46,037,925	43,778,552
24.	Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	1,527,495	3,878,326
25.	Net investment income earned		644 , 102	559,623
26.	Net realized capital gains (losses) less capital gains tax of \$			0
27.	Net investment gains (losses) (Lines 25 plus 26)	0	644 , 102	559,623
28.	Net gain or (loss) from agents' or premium balances charged off [(amount recovered			
	\$) (amount charged off \$			0
29.	Aggregate write-ins for other income or expenses	0	0	0
30.	Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus	2004	0 474 507	4 , 437 , 949
24		XXX		
	Federal and foreign income taxes incurred		748,852	
32.	Net income (loss) (Lines 30 minus 31)	XXX	1,422,745	2,884,667
2024	DETAILS OF WRITE-INS	2004	(4 540 700)	(40.4.00.4)
			(1,542,760)	(404,024)
0602.		XXX		
0603.		XXX		
0698.	, ,		0	U
0699.	Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	XXX	(1,542,760)	, , ,
0701.				
0702.		XXX		
0703.		XXX		
	, ,		0	
0799.	Totals (Lines 0701 thru 0703 plus 0798) (Line 7 above)	XXX	0	0
1402.				
1403.				
1498.	, ,		0	0
1499.	Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above)	0	0	0
2901.				
2902.				
2903.				
2998.	Summary of remaining write-ins for Line 29 from overflow page	0	0	0
2999.	Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above)	0	0	0

STATEMENT OF REVENUE AND EXPENSES (Continued)

	STATEMENT OF REVENUE AND	1 Current Year to Date	2 Prior Year to Date	3 Prior Year
	CAPITAL AND SURPLUS ACCOUNT:			
33.	Capital and surplus prior reporting year	19,290,585	18 ,517 ,488	18 , 517 , 488
34.	Net income or (loss) from Line 32	1,422,745	2,884,667	11,997,161
35.	Change in valuation basis of aggregate policy and claim reserves		0	0
36.	Change in net unrealized capital gains (losses) less capital gains tax of \$		0	0
37.	Change in net unrealized foreign exchange capital gain or (loss)		0	0
38.	Change in net deferred income tax		0	0
39.	Change in nonadmitted assets		(41,595)	(55,723)
40.	Change in unauthorized reinsurance	0	0	0
41.	Change in treasury stock		0	0
42.	Change in surplus notes	0	0	(11,168,341)
43.	Cumulative effect of changes in accounting principles		0	0
44.	Capital Changes:			
	44.1 Paid in		0	0
	44.2 Transferred from surplus (Stock Dividend)		0	0
	44.3 Transferred to surplus		0	0
45.	Surplus adjustments:			
	45.1 Paid in		0	0
	45.2 Transferred to capital (Stock Dividend)	0	0	0
	45.3 Transferred from capital		0	0
46.	Dividends to stockholders		0	0
47.	Aggregate write-ins for gains or (losses) in surplus	0	0	0
48.	Net change in capital & surplus (Lines 34 to 47)	1,452,917	2,843,072	773,097
49.	Capital and surplus end of reporting period (Line 33 plus 48)	20,743,502	21,360,560	19,290,585
	DETAILS OF WRITE-INS			
4701.				
4702.				
4703.				
4798.	Summary of remaining write-ins for Line 47 from overflow page	0	0	0
4799.	Totals (Lines 4701 thru 4703 plus 4798) (Line 47 above)	0	0	0

${\bf STATEMENT\ AS\ OF\ MARCH\ 31,\ 2007\ OF\ THE\ Tennessee\ Behavioral\ Health,\ Inc.}$

CASH FLOW

		1	2
		Current Year	Prior Year Ended
		To Date	December 31
	Cash from Operations		
	Premiums collected net of reinsurance		, ,
2.	Net investment income	696,009	2,333,738
3.	Miscellaneous income		0
4.	- Total (Lines 1 to 3)	48,694,003	194,884,496
5.	Benefits and loss related payments	40,192,324	161,331,711
	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions	5,023,570	20 , 194 , 948
8.	Dividends paid to policyholders		
9.	Federal and foreign income taxes paid (recovered) net of \$tax on capital gains (losses)	0	5,400,867
10.	Total (Lines 5 through 9)	45,215,894	186,927,526
11.	Net cash from operations (Line 4 minus Line 10)	3,478,109	7,956,970
	Cash from Investments		
12.	Proceeds from investments sold, matured or repaid:		
	12.1 Bonds	2,600,000	600.000
	12.2 Stocks	_	
	12.3 Mortgage loans	0	(
	12.4 Real estate		
	12.5 Other invested assets		
	12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		
	12.7 Miscellaneous proceeds		(
	12.8 Total investment proceeds (Lines 12.1 to 12.7)		600,000
13.	Cost of investments acquired (long-term only):	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	, , , , , , , , , , , , , , , , , , , ,
	13.1 Bonds	2.402.711	(
	13.2 Stocks		(
	13.3 Mortgage loans		
	13.4 Real estate		
	13.5 Other invested assets		
	13.6 Miscellaneous applications		
	13.7 Total investments acquired (Lines 13.1 to 13.6)		(
14	Net increase (or decrease) in contract loans and premium notes		(
	Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)		600.000
	Cash from Financing and Miscellaneous Sources	107,200	000,000
16	Cash provided (applied):		
10.	16.1 Surplus notes, capital notes	0	(11 168 341
	16.2 Capital and paid in surplus, less treasury stock		(11,100,01
	16.3 Borrowed funds		(
	16.4 Net deposits on deposit-type contracts and other insurance liabilities		(
	16.5 Dividends to stockholders		(
	16.6 Other cash provided (applied).		(
17	Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)		(11,168,34
.,.	RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		(11,100,04
19	Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	3 675 300	(2 611 27
	. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)		(2,011,3/
19.	19.1 Beginning of year	/1 505 195	AA 116 550
	19.2 End of period (Line 18 plus Line 19.1)	45,180,583	41,505,185
	19.2 Etta di period (Ette 10 pias Ette 19.1)	45, 100, 303	41,000,100

Note:	Supplemental disclosures of cash flow information for non-cash transactions:		
20.0001.	Conversion of debt to equity	0	0
	Assets acquired by assuming directly related liabilities	0	0
20.0003.	Exchange of non-cash assets or liabilities	0	0

Tennessee Behavioral Health, Inc. - Middle/West Regions BHO TennCare Operations Statement of Revenue and Expenses For the Quarter Ending March 31, 2007 Report 2A

Report 2A		
	Current Quarter	Year to Date Total
Member Months	506,739	506,739
Revenues		
TennCare Capitation	15,389,559	15,389,559
Risk Share Investment (Interest)	(1,542,760) 183,569	(1,542,760) 183,569
Other Revenues	0	0
Total Revenues	14,030,368	14,030,368
Expenses Mental Health & Substance Services		
Inpatient Psychiatric Facility services	4,864,508	4,864,508
Inpatient Substance Abuse Treatment and Detox	109,781	109,781
Outpatient Mental Health Services	842,065	842,065
Outpatient Substance Abuse Treatment and Detox	68,147	68,147
Housing/Residential Treatment Specialized Crisis Services	789,399 539,294	789,399 539,294
Psychiatric Rehab and Support Services	179,903	179,903
Case Management	2,361,543	2,361,543
Forensics		
Other Judicial Pharmacy		
Lab Services	(24,845)	(24,845)
Transportation	286,882	286,882
Medical Incentive Pool and Withhold Adjustments		
Occupancy, Depreciation and Amortization Other Mental Health and Substance Abuse Services		0
PCP and Specialists Services		U
Subtotal	10,016,678	10,016,678
Reinsurance Expense Net of Recoveries		
Less:		
Copayments Subrogation		
Coordination of Benefits		
Subtotal Total Medical and Substance Abuse	10,016,678	10,016,678
Claim Adjustment Expense	153,896	153,896
Administration ¹	,	,
Rent	19,570	19,570
Salaries and Wages	703,934	703,934
Commissions	2,120	2,120
Contributions for benefit plans for employees		
Payments to employees under non-funded benefit plans Other employee welfare		
Legal fees and expenses	8,081	8,081
Medical examination fees		
Utilization management	64	04
Certifications and accreditation Auditing, actuarial and other consulting services	61 85,102	61 85,102
Traveling expenses	25,680	25,680
Marketing and advertising	16,865	16,865
Postage, express, telegraph and telephone	31,416	31,416
Printing and stationary Occupancy, depreciation and amortization	60,322 320,879	60,322 320,879
Rental of equipment	498	498
Outsourced services includes EDP, claims, and other services	(566)	(566)
Books and periodicals	4.404	4.404
Boards, bureaus and association fees Insurance, except on real estate	4,404 0	4,404
Collection and bank service charges	6,020	6,020
Group service and administration fees		
Reimbursements from fiscal intermediaries Real estate expenses		
Real estate taxes	374	374
Bad Debt Expense		
Taxes, licenses and fees:		
State and local insurance taxes State premium taxes	276,936	276,936
Insurance department licenses and fees	270,930	270,930
Payroll taxes		
Other (excluding federal income and real estate taxes)	3,043	3,043
Investment expenses not included elsewhere Write-Ins		
Total Administrative Expenses	1,564,738	1,564,738
·		
Total Expenses	11,735,312	11,735,312
Income/(loss) before allocated income taxes	2,295,056	2,295,056
Benefit (provision) for income taxes	(791,425)	(791,425)
Net Income (Loss)	1,503,631	1,503,631

Tennessee Behavioral Health, Inc. - East Region BHO TennCare Operations Statement of Revenue and Expenses For the Quarter Ending March 31, 2007 Report 2A

Report 2A	• .	v
	Current Quarter	Year to Date Total
March on March	4 077 007	4 077 007
Member Months	1,277,267	1,277,267
Revenues Tono Caro Capitation	22 719 621	33,718,621
TennCare Capitation Risk Share	33,718,621 0	33,710,021
Investment (Interest)	460,533	460,533
Other Revenues	0	0
Total Revenues	34,179,154	34,179,154
Expenses		
Mental Health & Substance Services		
Inpatient Psychiatric Facility services	8,789,382	8,789,382
Inpatient Substance Abuse Treatment and Detox Outpatient Mental Health Services	447,886 7,933,741	447,886 7,933,741
Outpatient Substance Abuse Treatment and Detox	642,214	642,214
Housing/Residential Treatment	3,437,991	3,437,991
Specialized Crisis Services Psychiatric Rehab and Support Services	1,239,339 413,430	1,239,339 413,430
Case Management	6,600,475	6,600,475
Forensics		
Other Judicial Pharmacy		
Lab Services	49,503	49,503
Transportation	926,051	926,051
Medical Incentive Pool and Withhold Adjustments Occupancy, Depreciation and Amortization		
Other Mental Health and Substance Abuse Services	0	0
PCP and Specialists Services		
Subtotal Reinsurance Expense Net of Recoveries	30,480,011	30,480,011
Less:		
Copayments		
Subrogation Coordination of Benefits		
Subtotal		
Total Medical and Substance Abuse	30,480,011	30,480,011
Claim Adjustment Expense	337,186	337,186
	001,100	007,100
Administration ¹	40.070	40.070
Rent Salaries and Wages	42,879 1,542,325	42,879 1,542,325
Commissions	4,644	4,644
Contributions for benefit plans for employees		
Payments to employees under non-funded benefit plans Other employee welfare		
Legal fees and expenses	17,706	17,706
Medical examination fees		
Utilization management Certifications and accreditation	133	133
Auditing, actuarial and other consulting services	189,277	189,277
Traveling expenses	56,266	56,266
Marketing and advertising Postage, express, telegraph and telephone	36,952 68,833	36,952 68,833
Printing and stationary	118,482	118,482
Occupancy, depreciation and amortization	703,047	703,047
Rental of equipment Outsourced services includes EDP, claims, and other services	1,092	1,092 (1,240)
Books and periodicals	(1,240)	(1,240)
Boards, bureaus and association fees	9,210	9,210
Insurance, except on real estate Collection and bank service charges	13,953	13,953
Group service and administration fees	13,933	13,933
Reimbursements from fiscal intermediaries		
Real estate expenses Real estate taxes	819	819
Bad Debt Expense	819	019
Taxes, licenses and fees:		
State and local insurance taxes State premium taxes	674,372	674,372
Insurance department licenses and fees	074,372	014,312
Payroll taxes		
Other (excluding federal income and real estate taxes)	6,668	6,668
Investment expenses not included elsewhere Write-Ins		
Total Administrative Function	0.405.440	0.405.440
Total Administrative Expenses	3,485,416	3,485,416
Total Expenses	34,302,613	34,302,613
Income/(loss) before allocated income taxes	(123,459)	(123,459)
Benefit (provision) for income taxes	42,574	42,574
Net Income (Loss)	(80,886)	(80,886)

¹ The ASO fee Administration expense breakout is assumed based upon current sub-contractor's expenses.

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION										
	1	Compre (Hospital &	hensive k Medical)	4	5	6	7	8	9	10
	Total	2 Individual	3 Group	Medicare Supplement	Vision Only	Dental Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
Total Members at end of:										
1. Prior Year	595,458	0	0	0	0	0	0	0	595 , 458	0
2 First Quarter	594,700								594,700	
3 Second Quarter	0									
4. Third Quarter	0									
5. Current Year	0									
6 Current Year Member Months	1 ,784 ,006								1 ,784 ,006	
Total Member Ambulatory Encounters for Period:										
7. Physician	66,226								66 , 226	
8. Non-Physician	236,601								236,601	
9. Total	302,827	0	0	0	0	0	0	0	302,827	0
10. Hospital Patient Days Incurred	44,031								44,031	
11. Number of Inpatient Admissions	3,586								3,586	
12. Health Premiums Written	49 , 108 , 180								49 , 108 , 180	
13. Life Premiums Direct	0									
14. Property/Casualty Premiums Written	0									
15. Health Premiums Earned	49,108,180								49 , 108 , 180	
16. Property/Casualty Premiums Earned	0									
17. Amount Paid for Provision of Health Care Services	39,808,953								39,808,953	
18. Amount Incurred for Provision of Health Care Services	40,496,689								40,496,689	

⁽a) For health premiums written: amount of Medicare Title XVIII exempt from state taxes or fees \$

CLAIMS UNPAID AND INCENTIVE POOL, WITHHOLD AND BONUS (Reported and Unreported)

Áging Analysis of Unpaid Claims										
1	2	3	4	5	6	7				
Account	1 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	Over 120 Days	Total				
Claims Unpaid (Reported)										
	-									
	 									
	 		+							
										
0199999 Individually Listed Claims Unpaid	Λ	0	0	Λ	Λ	0				
0299999 Aggregate Accounts Not Individually Listed-Uncovered	0	· ·	Ů	0	Ů	0				
039999 Aggregate Accounts Not Individually Listed-Covered						0				
0499999 Subtotals	0	0	0	0	0	0				
0599999 Unreported Claims and Other Claim Reserves	XXX	XXX	XXX	XXX	XXX	17,112,658				
0699999 Total Amounts Withheld	XXX	XXX	XXX	XXX	XXX	. ,				
0799999 Total Claims Unpaid	XXX	XXX	XXX	XXX	XXX	17,112,658				
0899999 Accrued Medical Incentive Pool and Bonus Amounts	XXX	XXX	XXX	XXX	XXX					

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STATEMENT AS OF MARCH 31, 2007 OF THE Tennessee Behavioral Health, Inc.

UNDERWRITING AND INVESTMENT EXHIBIT

ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE												
	Cla		Liab	pility								
	Paid Yea		End of Current Quarter		5	6						
	1 On Claims Incurred Prior	2 On	3 On Claims Unpaid	4 On	Claims Incurred	Estimated Claim Reserve and Claim Liability						
	to January 1 of	Claims Incurred	Dec. 31	Claims Incurred	in Prior Years	Dec. 31 of						
Line of Business	Current Year	During the Year	of Prior Year	During the Year	(Columns 1 + 3)	Prior Year						
Comprehensive (hospital & medical)					0	0						
Medicare Supplement					0	0						
3. Dental Only					0	0						
4. Vision Only					0	0						
5. Federal Employees Health Benefits Plan					0	0						
6. Title XVIII - Medicare					0	0						
7. Title XIX - Medicaid	10,997,447	28,811,506	3,405,704	13,706,954	14,403,151	16,424,922						
8. Other Health					0	0						
9. Health Subtotal (Lines 1 to 8)	10,997,447	28 ,811 ,506	3,405,704	13,706,954	14,403,151	16,424,922						
10. Healthcare receivables (a)					0	0						
11. Other non-health					0	0						
12. Medical incentive pools and bonus amounts					0	0						
13. Totals	10,997,447	28,811,506	3,405,704	13,706,954	14,403,151	16,424,922						

⁽a) Excludes \$ loans and advances to providers not yet expensed.

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

- A. Accounting Practices The accompanying financial statements of Tennessee Behavioral Health, Inc. ("TBH" or the "Company") have been prepared in conformity with the National Association of Insurance Commissioners (NAIC) Annual Statement Instructions, the NAIC Accounting Practices and Procedures Manual and the accounting practices prescribed or permitted by the State of Tennessee Department of Commerce and Insurance, which represents a comprehensive basis of accounting other than generally accepted accounting principles (GAAP).
- B. Use of Estimates in the Preparation of the Financial Statements No significant change.
- C. Accounting Policy No significant change.

Note 2 - Accounting Changes and Corrections of Errors

A. Material changes in accounting principles and/or correction of errors - No significant change.

Note 3 - Business Combinations and Goodwill

- A. Statutory Purchase Method No significant change.
- B. Statutory Merger No significant change.
- Assumption Reinsurance No significant change. C.
- D. Impairment Loss No significant change.

Note 4 - Discontinued Operations

No significant change.

Note 5 - Investments

- A. Mortgage Loan, including Mezzanine Real Estate Loans No significant change.
- B. Debt Restructuring No significant change.
 C. Reverse Mortgages No significant change.
- D. Loan Backed Securities No significant change.
- E. Repurchase Agreements No significant change.
- F. Real Estate No significant change.

Note 6 - Joint Ventures, Partnerships and Limited Liability Companies

- A. Investments in Joint Ventures, Partnerships, and Limited Liability Companies that exceed 10% of the admitted assets of the insurer - No significant change.
- B. Impaired Investments in Joint Ventures, Partnerships, and Limited Liability Companies No significant change.

Note 7 - Investment Income

- A. Bases, by category of investment income, for excluding (nonadmitting) any investment income due and accrued No significant change.
- B. The total amount excluded was \$0.

Note 8 - Derivative Instruments

- A. Market risk, credit risk and cash requirements of the derivative No significant change.
- B. Objectives for using derivatives No significant change.
- C. Accounting policies for recognizing and measuring derivatives used No significant change.
- D. Net gain or loss recognized in unrealized gains and losses during the reporting period representing the component of the derivative instruments gain of loss - No significant change.
- E. Net gain or loss recognized in unrealized gains and losses during the reporting period resulting from derivatives that no longer qualify for hedge accounting – No significant change.
- F. Derivatives accounted for as cash flow hedges of a forecasted transaction No significant change.

Note 9 - Income Taxes

- A. Components of the net deferred tax asset or deferred tax liability No significant change.
- B. Deferred tax liabilities that are not recognized No significant change
- Components of current income taxes incurred No significant change.
- D. Significant book to tax adjustments No significant change

E.

- Amounts, origination dates and expiration dates of operating loss and tax credit carry forward amounts available for tax purposes - No significant change.
- Amount of federal income taxes incurred in current year that are available for recoupment in the even of future net loss - No significant change.

NOTES TO FINANCIAL STATEMENTS

- F. Consolidated federal income tax
 - 1. For federal income tax reporting purposes, the Company's operations are included in Magellan Health Services, Inc.'s (Magellan's) consolidated federal tax returns. The Company files a separate state income tax
 - The Company maintains federal tax sharing arrangements with Magellan. Through these arrangements, Magellan has allocated \$748,852 of provision for income tax for the three months ended March 31, 2007. The current arrangement calls for an allocation based on Magellan's effective tax rate before reflecting the allocation and after effecting for permanent differences. This amount is included in the accompanying statement of revenue and expenses. Income taxes receivable and payable are included in due to affiliates in the accompanying statement of liabilities, capital and surplus.

Note 10 - Information Concerning Parent, Subsidiaries and Affiliates

- A. Nature of relationship The Company is a wholly owned subsidiary of Magellan Behavioral Health, Inc., which is directly owned by Magellan. The company holds no investments in any affiliated companies and makes no guarantees nor does it partake in any undertaking for the benefit of any affiliate.
- B. Description of transactions No significant change.
- C. Dollar amount of transactions The Company paid \$4,419,736 in management fees to the parent for the three months ended March 31, 2007.
- D. Amounts due to/from relates parties Balances as of March 31, 2007
 - a. Due from Magellan \$69,538
 - b. Due to Advocare (\$345,957)c. Due from Premier \$50,000
- E. Guarantees or undertakings for benefit of affiliate No significant change
- F. Material management or service contracts and cost sharing arrangements with related parties No significant change.
- G. Common ownership or control No significant change.
- H. No significant change
- I. Investment in SCA that exceeds 10% No significant change.
- Investments in impaired SCA entities No significant change.
- K. Investment in a foreign insurance subsidiary No significant change.

Note 11 - Debt

No significant change.

Note 12 - Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

- A. Defined Benefit Plan No significant change.
- B. Defined Contribution Plans No significant change.
- C. Multiemployer Plan No significant change.
- D. Consolidated/Holding Company plans No significant change
- E. Post-employment Benefits and Compensated Absences No significant change.

Note 13 - Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations

- (1) (9) No significant change.
- (10) Surplus Notes No significant change.

Note 14 - Contingencies

- A. Contingent Commitments No significant change.
- B. Assessments No significant change.
- C. Gain contingencies No significant change.
- D. All Other contingencies No significant change.

Note 15 - Leases

- A. Lessee Operating Lease No significant change.
- B. Lessor Leases and Leveraged Leases No significant change.

Note 16 - Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk

No significant change.

Note 17 - Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

NOTES TO FINANCIAL STATEMENTS

- A. Transfers of Receivables reported as Sales No significant change.
- Transfer and Servicing of Financial Assets No significant change
- Wash Sales The Company has not engaged in any Wash Sales during the current calendar year.

Note 18 - Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans

- A. ASO Plans No significant change.
- ASC Plans No significant change.
- C. Medicare of Similarly Structured Cost Based Reimbursement contract No significant change.

Note 19 - Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

No significant change.

Note 20 - September 11 Events

No significant change.

Note 21 - Other Items

- A. Extraordinary items No significant change.
- B. Troubled Debt Restructuring: Debtor No significant change.
- C. Other Disclosures None
 D. Uncollectible balance for assets covered under SSAP No. 6, SSAP No. 47, and SSAP No. 66 No significant change
- E. Business Interruption Insurance Recoveries No significant change.
- Additional disclosures for Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Plans - No significant change.

Note 22 - Events Subsequent

On April 1, 2007, primarily all of the Company's membership in the Middle Grand Region has been reassigned to managed care companies in accordance with the contract awards by TennCare pursuant to its Request for Proposals for the management of the integrated delivery of behavioral and physical medical care to these enrollees.

Note 23 - Reinsurance

- A. Ceded Reinsurance Report No significant change.
- Uncollectible Reinsurance No significant change
- C. Commutation of Ceded Reinsurance No significant change.

Note 24 - Retrospectively Rated Contracts & Contracts Subject to Redetermination

- A. Method used by the reporting entity to estimate accrued retrospective premium adjustments No significant change.
- B. Amount of net premiums that are subject to retrospective rating features No significant change.

Note 25 - Change in Incurred Losses and Loss Adjustment Expenses

No significant change.

Note 26 - Intercompany Pooling Arrangements

No significant change.

Note 27 - Structured Settlements

No significant change.

Note 28 - Health Care Receivables

- A. Pharmaceutical Rebate Receivables No significant change.
- B. Risk Sharing Receivables No significant change.

Note 29 - Participating Policies

- A. Relative percentage of participating insurance No significant change.
- B. Method of accounting for policyholder dividends No significant change

NOTES TO FINANCIAL STATEMENTS

- C. Amount of dividends No significant change.
 D. Amount of any additional income allocated to participating policyholders No significant change.

Note 30 - Premium Deficiency Reserves

No significant change.

Note 31 - Anticipated Salvage and Subrogation

No significant change.

GENERAL INTERROGATORIES

(Responses to these interrogatories should be based on changes that have occurred since the prior year end unless otherwise noted.)

PART 1 - COMMON INTERROGATORIES GENERAL

	Affiliate Na	me	(City, State)		FRB	OCC	OTS	FDIC	5	SEC
	1		2 Location		3	4	5	6		7
8.4	federal regulatory services ag	ency [i.e. the Federal Federal Deposit Insu	names and location (city and state of Reserve Board (FRB), the Office of rance Corporation (FDIC) and the State Corporation (FDIC)	the Comptrolle	er of the Currer	cy (OCC), the	e Office of			
8.3	Is the company affiliated with	one or more banks, the	hrifts or securities firms?					Yes	s []	No [X]
8.2	If response to 8.1 is yes, plea	se identify the name of	of the bank holding company.							
8.1	Is the company a subsidiary of	of a bank holding com	pany regulated by the Federal Rese	rve Board?				Yes	[]	No [X]
7.2	If yes, give full information:									
7.1			thority, licenses or registrations (inclieporting period?					Yes	s []	No [X]
	Tennessee Department of Co	ommerce and Insuranc	ce							
6.4	By what department or depart	tments?								
6.3	the reporting entity. This is the	e release date or com	on report became available to other pletion date of the examination repo	ort and not the	date of the exa	mination (bala	ance sheet		08/	26/2005
6.2			ation report became available from the the the report was						06/	30/2004
6.1	State as of what date the late	st financial examination	on of the reporting entity was made	or is being mad	de				06/	30/2006
5.			greement, including third-party adm gnificant changes regarding the term					Yes [] No) [X]	NA []
			Name of Entity	NAIC C	Company Code					
4.2	ceased to exist as a result of		Code, and state of domicile (use two dation. 1	etter state ab	breviation) for a	any entity that				
4.1			r consolidation during the period cov	-				Yes	[]	No [X]
	If yes, complete the Schedule	e Y - Part 1 - organiza	tional chart.							
3.	Have there been any substan	itial changes in the or	ganizational chart since the prior qua	arter end?				Yes	s []	No [X]
	If not previously filed, furnish	herewith a certified co	opy of the instrument as amended.							
2.2										
2.1	Has any change been made or reporting entity?	during the year of this	statement in the charter, by-laws, a	rticles of incorp	ooration, or dee	d of settleme	nt of the	Yes	s []	No [X]
1.2	If yes, has the report been file	ed with the domiciliary	state?					Yes	[]	No []
1.1			nsactions requiring the filing of Disc					Yes	s []	No [X]

GENERAL INTERROGATORIES

9.1	similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?	Yes [X] No []
	(a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;	
	(b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;	
	(c) Compliance with applicable governmental laws, rules and regulations;	
	(d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and	
	(e) Accountability for adherence to the code.	
9.11	If the response to 9.1 is No, please explain:	
9.2	Has the code of ethics for senior managers been amended?	Yes [] No [X]
9.21	If the response to 9.2 is Yes, provide information related to amendment(s).	
9.3	Have any provisions of the code of ethics been waived for any of the specified officers?	Yes [] No [X]
9.31	If the response to 9.3 is Yes, provide the nature of any waiver(s).	
	FINANCIAL	
10.1	Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?	Yes [X] No []
	If yes, indicate any amounts receivable from parent included in the Page 2 amount:\$	119.539
	INVESTMENT	,,,,,,
11 1	Has there been any change in the reporting entity's own preferred or common stock?	Yes [] No [X]
	If yes, explain:	103 [] NO [X]
	Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.)	Yes [] No [X]
13.	Amount of real estate and mortgages held in other invested assets in Schedule BA:\$	0
14.	Amount of real estate and mortgages held in short-term investments:\$	0
15.1	Does the reporting entity have any investments in parent, subsidiaries and affiliates?	Yes [] No [X]
15.2	If yes, please complete the following:	
	1 2 Prior Year-End Current Quarter Book/Adjusted Book/Adjusted Carrying Value Carrying Value 15.21 Bonds \$	
	15.22 Preferred Stock \$	
	15.23 Common Stock \$ 15.24 Short-Term Investments \$	
	15.25 Mortgage Loans on Real Estate \$ \$	
	15.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal	
	Lines 15.21 to 15.26)	
16.1	Has the reporting entity entered into any hedging transactions reported on Schedule DB?	Yes [] No [X]
	If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?	Yes [] No []
	If no, attach a description with this statement.	

GENERAL INTERROGATORIES

17.	Excluding items in Schedule E, real estate, mort deposit boxes, were all stocks, bonds and other qualified bank or trust company in accordance w Financial Condition Examiners Handbook?	securities, owned throughout ith Part 1 - General, Section I	the current year held pur V.H - Custodial or Safek	suant to a custodial agreement with a eeping Agreements of the NAIC	Yes [X] No []
17.1	For all agreements that comply with the requirem	nents of the NAIC Financial C	ondition Examiners Hand	dbook, complete the following:	
		1 of Custodian(s)		2 Custodian Address Id Floor, Nashville, TN 37219	
17.2	For all agreements that do not comply with the relocation and a complete explanation:	equirements of the NAIC Fina	ncial Condition Examine	rs Handbook, provide the name,	
	1 Name(s)	2 Location	n(s)	3 Complete Explanation(s)	
17.3	Have there been any changes, including name c	hanges in the custodian(s) ide	entified in 17.1 during the	e current quarter?	Yes [] No [X]
17.4	If yes, give full and complete information relating	thereto:			
	1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason	
17.5	Identify all investment advisors, brokers/dealers accounts, handle securities and have authority to			ave access to the investment	
	1 Central Registration	on Depository N	2 lame(s)	3 Address	
18.1	Have all the filing requirements of the <i>Purposes</i>	and Procedures Manual of th	e NAIC Securities Valuat	ion Office been followed?	Yes [X] No []
18.2	If no, list exceptions:				

SCHEDULE A - VERIFICATION

	Real Estate		
		1	2
	NONE	Year to Date	Prior Year Ended December 31
1.	Book/adjusted carrying value, December 31 of prior year	0	0
2.	Increase (decrease) by adjustment		0
	Cost of acquired		0
4.	Cost of additions to and permanent improvements		0
5.	Total profit (loss) on sales		0
6.	Increase (decrease) by foreign exchange adjustment		0
7.	Amount received on sales		0
8.	Book/adjusted carrying value at end of current period	0	0
9.	Total valuation allowance		0
10.	Subtotal (Lines 8 plus 9)	0	0
11.	Total nonadmitted amounts		0
12	Statement value current period (Page 2, real estate lines, Net Admitted Assets column)	0	0

SCHEDULE B - VERIFICATION

Mortgage Loans		
	1	2
		Prior Year Ended
	Year to Date	December 31
1. Book value/recorded investment excluding accrued interes in magazes own at, a semiler and prior year	0	0
Amount loaned during period:		
2.1. Actual cost at time of acquisitions		0
2.2. Additional investment made after acquisitions 3. Accrual of discount and mortgage interest points and commitment fees		0
Accrual of discount and mortgage interest points and commitment fees		0
Increase (decrease) by adjustment		0
J. Total profit (1055) off Sale		U
0. Amounts paid on account of in full during the period		
7. Amortization of premium 8. Increase (decrease) by foreign exchange adjustment 9. Book value/recorded investment excluding accrued interest on mortgages owned at end of current period		0
Increase (decrease) by foreign exchange adjustment		0
9. Book value/recorded investment excluding accrued interest on mortgages owned at end of current period	0	0
10. Total valuation allowance		0
11. Subtotal (Lines 9 plus 10)	0	0
12. Total nonadmitted amounts		0
13. Statement value of mortgages owned at end of current period (Page 2, mortgage lines, Net Admitted Assets		
column)	0	0

SCHEDULE BA – VERIFICATION

Other Invested Assets	Other Invested Assets									
	1 Year to Date	2 Prior Year Ended December 31								
Book/adjusted carrying value of long-term invested assets and deember 1 of the rypar. Cost of acquisitions during period: 2.1. Actual cost at time of acquisitions	0	0								
2.2. Additional investment made after acquisitions Accrual of discount Increase (decrease) by adjustment		0								
4. Increase (decrease) by adjustment		0								
7. Amortization of premium		0								
11. Subtotal (Lines 9 plus 10) 12. Total nonadmitted amounts 13. Statement value of long-term invested assets at end of current period (Page 2, Line 7, Column 3)	0	0								

SCHEDULE D - VERIFICATION

Bonds and Stocks		
	1 Year to Date	2 Prior Year Ended December 31
Book/adjusted carrying value of bonds and stocks, December 31 of prior year	2,600,002	3,201,199
Cost of bonds and stocks acquired	2,402,711	0
Accrual of discount		0
4. Increase (decrease) by adjustment 5. Increase (decrease) by foreign exchange adjustment 6. Total profit (loss) on disposal		0
Increase (decrease) by foreign exchange adjustment		0
Total profit (loss) on disposal		0
Consideration for bonds and stocks disposed of	2,600,000	600,000
8. Amortization of premium	110	1 , 197
Book/adjusted carrying value, current period	2,402,603	2,600,002
10. Total valuation allowance		0
11. Subtotal (Lines 9 plus 10)	2,402,603	2,600,002
12. Total nonadmitted amounts		0
13. Statement value	2,402,603	2,600,002

SCHEDULE D - PART 1B

Showing the Acquisitions, Dispositions and Non-Trading Activity

During the Current Quarter for all Bonds and Preferred Stock by Rating Class

	1 Book/Adjusted Carrying Value Beginning of Current Quarter	Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Book/Adjusted Carrying Value End of First Quarter	6 Book/Adjusted Carrying Value End of Second Quarter	7 Book/Adjusted Carrying Value End of Third Quarter	8 Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. Class 1	2,600,002	2,402,711	2,600,000	(110)	2,402,603	0	0	2,600,002
2. Class 2	0				0	0	0	0
3. Class 3	0				0	0	0	0
4. Class 4	0				0	0	0	0
5. Class 5	0				0	0	0	0
6. Class 6	0				0	0	0	0
7. Total Bonds	2,600,002	2,402,711	2,600,000	(110)	2,402,603	0	0	2,600,002
PREFERRED STOCK								
8. Class 1	0				0	0	0	0
9. Class 2	0				0	0	0	0
10. Class 3	0				0	0	0	0
11. Class 4	0				0	0	0	0
12. Class 5	0				0	0	0	0
13. Class 6	0				0	0	0	0
14. Total Preferred Stock	0	0	0	0	0	0	0	0
15. Total Bonds and Preferred Stock	2,600,002	2,402,711	2,600,000	(110)	2,402,603	0	0	2,600,002

Schedule DA - Part 1

NONE

Schedule DA - Part 2

NONE

Schedule DB - Part F - Section 1

NONE

Schedule DB - Part F - Section 2

NONE

Schedule S

NONE

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Current Year to Date - Allocated by States and Territories

		1	Current Year to Date - Allocated by States and Territories Direct Business Only								
		1	2	3	4	5	6	7	8	9	
		Is Insurer	Accident &	Matters	Man discount d		Life & Annuity Premiums &	Property/	Total	D	
	States, Etc.	Licensed (Yes or No)	Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Program Premiums	Other Considerations	Casualty Premiums	Columns 2 Through 7	Deposit-Type Contracts	
1.	AlabamaA								0		
2.	Alaska A	KNo							0		
3.		zNo							0		
		RNo							0		
	CaliforniaC		-						0		
	Colorado C		-								
		ENo							0		
	District of Columbia								0		
	FloridaF								0		
11.	GeorgiaG	ANo							0		
12.	Hawaii H		4						0		
13.	IdahoII								0		
	IllinoisIL								0		
	IndianaIN								0		
	lowa IA Kansas K		-								
	Kansas K Kentucky K	-	†				 		n		
	LouisianaL		1					·····	n		
	Maine								n		
	Maryland								0		
	Massachusetts N								0		
	MichiganM								0		
24.	Minnesota N	NNo							0		
25.	Mississippi N								0		
	MissouriN								0		
	MontanaN								0		
	Nebraska N		-						0		
	NevadaN								0		
	New Hampshire New Jersey										
		MNo							0		
	New York N								0		
	North CarolinaN								0		
	North DakotaN								0		
36.	OhioC	Н							0		
		KNo							0		
38.	Oregon	RNo							0		
39.	PennsylvaniaP								0		
	Rhode IslandR								0		
	South Carolina S								0		
	South Dakota S		-		40, 400, 400				40, 400, 400		
	TennesseeT				49 , 108 , 180				49 , 108 , 180		
	Texas T								 n		
	Vermont V		· •						 n		
	VirginiaV								0		
	Washington V								0		
	West VirginiaV								0		
	WisconsinV								0		
51.	WyomingV		.					ļ	0		
	American Samoa A		+	ļ	 	 	ļ		0	ļ	
		UNo							0		
	Puerto RicoP								0		
	U.S. Virgin IslandsV								0		
	Northern Mariana IslandsN		+					l	0		
	Canada C Aggregate Other Alien C		0	0	0	0	0	0	0	n	
	Subtotal	XXX	0	0	49 , 108 , 180	0	0	0	49 , 108 , 180	n	
	Reporting entity contributions for				10 , 100 , 100				10 , 100 , 100		
55.	Employee Benefit Plans	ХХХ							0		
61.	Total (Direct Business)	(a) 1	0	0	49,108,180	0	0	0	49,108,180	0	
	DETAILS OF WRITE-INS										
5801.		XXX	-	 	 	 		ļ	 	 	
5802.		XXX									
5803.		XXX									
	Summary of remaining write-ins for Line 58 from overflow page		0	0	0	0	0	0	0	0	
5899.	Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	XXX	0	0	0	0	0	0	0	0	

⁽a) Insert the number of yes responses except for Canada and other Alien.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP PART 1 - ORGANIZATIONAL CHART



SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of **NO** to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplemental is required of your company but is not being filed for whatever reason enter **SEE EXPLANATION** and provide an explanation following the interrogatory questions.

	RESPONSE
Will the Medicare Part D Coverage Statement be filed with the state of domicile and the NAIC with this statement?	NO
Explanation:	
Bar Code:	

OVERFLOW PAGE FOR WRITE-INS

Schedule A - Part 2

NONE

Schedule A - Part 3

NONE

Schedule B - Part 1

NONE

Schedule B - Part 2

NONE

Schedule BA - Part 1

NONE

Schedule BA - Part 2

NONE

SCHEDULE D - PART 3

Show All Long-Term Bonds and Stock Acquired by	v the Company Di	uring the Current Quarter

Show All Long-Term Bonds and Stock Acquired by the Company During the Current Quarter											
1	2	3	4	5	6	7	8	9	10		
									NAIC		
									Designation or		
CUSIP					Number of	Actual		Paid for Accrued	Designation or Market		
Identification	Description	Foreign	Date Acquired	Name of Vendor	Shares of Stock	Cost	Par Value	Interest and Dividends	Indicator (a)		
31331X -R5 -3	Federal Farm Credit Bank Bond.	· ·	03/02/2007	US Bank		2,402,711	2,400,000	0	1		
	- Bonds - U.S. Government					2,402,711	2,400,000		XXX		
6099997 - Total			2,402,711	2,400,000		XXX					
6099999 - Total	- Bonds					2,402,711	2,400,000	0	XXX		
6599999 - Total	- Preferred Stocks					0	XXX	0	XXX		
7299999 - Total	- Common Stocks					0	XXX	0	XXX		
7399999 - Total	- Preferred and Common Stocks					0	XXX	0	XXX		
									•		
									-		
							100	-			
7499999 - Totals						2,402,711	XXX	0	XXX		

⁽a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues

SCHEDULE D - PART 4

						Show All Lo	ng-Term Bo	nds and Stoc	ck Sold, Red	eemed or Oth	erwise Dispos			ng the Current	Quarter						
1	2	3	4	5	6	7	8	9	10		Change in E	ook/Adjusted Ca	rrying Value		16	17	18	19	20	21	22
										44	40	40	4.4	45						ı	
		Ι-Ι								11	12	13	14	15						1	NAIC
		-																		1	Desig-
		5										Current Year's			Book/				Bond	i	nation
									Prior Year	Unrealized		Other Than		Total Foreign		Foreign			Interest/Stock	i	or
CUSIP		i			Number of				Book/Adjusted		Current Year's		Total Change in		Carrying Value		Pealized Cain	Total Gain	Dividends	i	Market
Identi-		'n	Disposal		Shares of				Carrying	Increase/	(Amortization)/	Impairment	B./A.C.V.	Change in	at	(Loss) on	(Loss) on	(Loss) on	Received	Maturity	Indicator
fication	Description	n	Date	Name of Purchaser		Consideration	Par Value	Actual Cost	Value	(Decrease)	Accretion	Recognized	(11 + 12 - 13)		Disposal Date	Disposal	Disposal	Disposal	During Year	Date	(a)
	FNMA Note		01/02/2007		Otook	2,600,000	2,600,000	2,600,598	2,600,002	(Decirease)	(2)	rtcoognized	(2)	D.// t.O.V.	2,600,000	Біорозаі	О	О	61,750		1
	Bonds - U.S. Governments	1		matur out		2,600,000	2,600,000	2,600,598	2,600,002		(2)		(2)		2,600,000				61,750	XXX	XXX
	Bonds - Part 4					2,600,000	2,600,000	2,600,598	2,600,002		(2)		(2)		2,600,000				61,750	XXX	XXX
	Total - Bonds					2,600,000	2,600,000	2,600,598	2,600,002	0	(2)	0	(2)	0	2,600,000	0	0	0	61,750	XXX	XXX
	Total - Preferred Stocks					0	XXX	0	0	0	0	0	0	0	0	0	0	0	0	XXX	XXX
	Total - Common Stocks					0	XXX	0	0	0	0	0	0	0	0	0	0	0	0	XXX	XXX
7399999 -	Total - Preferred and Comm	ion St	tocks			0	XXX	0	0	0	0	0	0	0	0	0	0	0	0	XXX	XXX
		+			+																
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7400000	T-1-1-	+			+	2,600,000	XXX	2,600,598	2,600,002	^	//0\	^	/0\	^	2,600,000	^	^	^	61,750	VVV	VVV
7499999				inator III III aravida, tha avend		2,000,000	XXX	2,000,598	2,000,002		(2)	U	(2)	0	2,000,000	0	0	U	b1,750	XXX	XXX

⁽a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues

Schedule DB - Part A - Section 1

NONE

Schedule DB - Part B - Section 1

NONE

Schedule DB - Part C - Section 1

NONE

Schedule DB - Part D - Section 1

NONE

SCHEDULE E - PART 1 - CASH

Amount of Interest Part Amount of Interest Part	JOHL			· FAR I		, 1 1			
Code Page	1				5				9
Description Geographic Control	Depository US Bank	Code	of	Interest Received During Current Quarter	Interest Accrued at Current Statement Date	6 First Month	7 Second Month	8 Third Month	*
10198999 (stal to Geen Degos) (1 copyany is Offico) 30.0 30.0 49.29	0199998 Deposits in			,		, ,		, ,	
0099999 Cala Cadh on Deposit 20099999 9999999999999999999999999999	(see Instructions) - Open Depositories	XXX	XXX						ХХХ
049999 Cash in Company's Office XXX XXX XXX XXX XXX XXX XXX XXX XXX	0199999 Totals - Open Depositories	XXX	XXX	634,258		44,235,709	44,358,493	45,180,583	XXX
049999 Cash in Company's Office XXX XXX XXX XXX XXX XXX XXX XXX XXX									.]
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049999 Cash in Company's Office XXX XXX XXX XXX XXX XXX XXX XXX XXX		ļ							
049999 Cash in Company's Office XXX XXX XXX XXX XXX XXX XXX XXX XXX				·	·····				
0599999 Total XXX XXX 634,258 44,235,709 44,358,493 45,180,583 XX	0399999 Total Cash on Deposit 0499999 Cash in Company's Office				XXX	44,235,709	44,358,493	45,180,583	XXX
	0599999 Total				MA	44,235,709	44,358,493	45,180,583	

Statement as of March 31, 2007 of the Tennessee Behavioral Health, Inc

Accident and Health Premiums Due and Unpaid

Individually list all debtors with account balances the greater of 10% of gross Premiums Receivable or \$5,000

Name of Debtor			1	2	3	4	5	6
	Not Currently Due		1-30 Days	31-60 Days	61-90 Days	Over 90 Days	Nonadmitted	Admitted
INDIVIDUALLY LIST ASSETS	•		•	•	•	•		
State of Tennessee-Capitiation Fee W/H		-	2,289,972	870,404	561,090	920,036	-	4,641,502 -
Subtotal-Individually Listed Receivables 0199999		-	2,289,972	870,404	561,090	920,036	-	4,641,502
Subtotal-Receivables not Listed Individually 0299999								
Subtotal-Gross Premium Receivable 0399999		-	2,289,972	870,404	561,090	920,036	-	4,641,502
Less-Allowance for Doubtful Accounts 0499999								
Total Premiums Receivable (Page 2, Line 12. 0599999		-	2,289,972	870,404	561,090	920,036		4,641,502

HEALTH CARE RECEIVABLES

Individually list all debtors with account balances greater of 10% of gross Health Care Receivables of \$5,000.

	1	2	3	4	5	6
Name of Debtor	1-30 Days	31-60 Days	61-90 Days	Over 90 Days	Nonadmitted	Admitted
Quinco CMHC	-	-	-	16,769	16,769	-
0199999 Individually Listed Receivables	-	-	-	16,769	16,769	-
0299999 Receivables Not Individually Listed 0399999 Gross Health Care Receivable	_			16,769	16,769	
0499999 Less Allowance for Doubtful Accour		-	-	10,769	10,769	-
0599999 Health Care Receivables (Page 2, I	ine 21)			16,769	16,769	-

Statement as of March 31, 2007 of the Tennessee Behavioral Health, Inc

Amounts due from Parent, Subsidiaries and Affiliates

	1	2	3	4	5	6	7
Name of Debtor	1-30 Days	31-60 Days	61-90 Days	Over 90 Days	Nonadmitted	Admitted Current	Non-Current
	. co Bayo	or oo bayo		over se Baje			Tron Garrent
Magellan Health Services Premier Behavioral Systems	- 50.000	-	78,321	-	8,782	69,539	-
Premier Benavioral Systems	50,000	-	-	-	-	50,000	-
	50,000	-	78,321	-	8,782	119,539	_
0199999 Gross Amounts Due from Affiliates	50,000	-	78,321	-	8,782	119,539	
0399999 Amounts Due from Affiliates	50,000		78,321	-	8,782	119,539	-

Statement as of March 31, 2007 of the Tennessee Behavioral Health, Inc

Amounts due to Parent, Subsidiaries and Affiliates

	1	2	3	4
Name of Creditor	Description	Amount	Current	Non-Current
AdvoCare of Tennessee		345,957	345,957	-
		245.057	245.057	
		345,957	345,957	-
0199999 Gross Amounts Due to Affiliates	#REF!	345,957	345,957	-
0399999 Amounts Due to Affiliates		345,957	345,957	-

SCHEDULE E - PART 2 CASH EQUIVALENTS

		SI	nowing Investments Owned End of	of Current Quarter			
1	2	3	4	5	6 Book/Adjusted Carrying Value	7 Amount of Interest	8
Description	Code	Date Acquired	Rate of Interest	Maturity Date	Carrying Value	Due and Accrued	Gross Investment Income
			NON				
0199999 Total Cash Equivalents							

Ernst & Young LLP 5 Times Square New York, New York 100366530 Phone: (212) 773-3000 www.ey.com

STATEMENT OF ACTUARIAL OPINION

May 29, 2007

Financial

Board of Directors Magellan Behavioral Health Services, Inc.

I, Michael J. Cellini, am a member of the American Academy of Actuaries ("the Academy"), and a Senior Manager and Consulting Actuary with the firm of Ernst & Young LLP. I have been retained by Magellan Behavioral Health Services, Inc., the parent company of Tennessee Behavioral Health, Inc., ("the Company" or TBH) to issue this opinion. I meet the Academy qualification standards for issuing this opinion, and I am familiar with the valuation requirements applicable to the Company.

I have reviewed the actuarial assumptions and actuarial methods used in determining the reserves and related actuarial items listed below and as shown in the annual financial statement of the Company, as prepared by the management of the Company for filing with state regulatory officials, as of March 31, 2007. My responsibility is to express an opinion on these reserves and related actuarial items based on my review. The actuarial methods, considerations and analyses used in forming my opinion conform to the appropriate Actuarial Standards of Practice and Actuarial Compliance Guidelines as promulgated by the Actuarial Standards Board, and form the basis of this statement of opinion.

Statement		
Reference Item	Page-Line	Amount
Claims Unpaid	3-1	\$17,112,658
	1. TBH - East	\$12,660,298
	2. TBH – Middle/West	4,452,360
	Total	\$17,112,658

The reserves and related actuarial items listed above represent the estimates made by management of the Company for all unpaid claims as of March 31, 2007.

Considerable uncertainty and variability are inherent in such estimates, and, accordingly, the subsequent development of the unpaid claims liability may not conform to the assumptions used in the determination of the unpaid claims liability and therefore may vary from the amounts in the foregoing table.

I have relied on listings and summaries of claims and other relevant data, and upon management's representations regarding the collectibility of reinsurance recoverable amounts, as expressed in the attached statement. I have relied upon Mr. William R. Grimm, Vice President Finance, for the accuracy of the data, as expressed in the attached statement.

My review included the identification and evaluation of the effect on the foregoing reserves of capitated risk-sharing contracts with service providers; however, my review of such capitated risk-sharing contracts did not include an assessment of the financial condition of the service providers. As such, the following opinion rests on the assumption that such service providers will fulfill their obligations under their respective contracts with the Company.

In other respects, my examination included such review of the actuarial assumptions and actuarial methods, including comparing prior years' estimates of unpaid claims liabilities to their subsequent development and such other tests of the actuarial calculations, as I considered necessary.

In my opinion, the reserves and related actuarial items identified above:

- (a) Are computed in accordance with presently accepted actuarial standards consistently applied, and are fairly stated in accordance with sound actuarial principles, except that consideration of the adequacy of the Company's reserves and related actuarial items in conjunction with the assets which support them has not been performed;
- (b) Are based on actuarial assumptions relevant to contract provisions and appropriate to the purpose for which the financial statement was prepared, and provide for all reasonably anticipated unpaid claims under the contracts;
- (c) Meet the requirements of the insurance laws and regulations of the State of Tennessee;
- (d) Are computed on the basis of assumptions consistent with those used in computing the corresponding items in the Annual Statement of the preceding year, with any exceptions noted below;
- (e) Include provision for all actuarial reserves and related actuarial items which ought to be established; and,
- (f) Make good and sufficient provision for all unpaid claims and other actuarial liabilities of the Company under the terms of its contracts and agreements, by which I mean that the estimated liabilities is an appropriate measure of reasonably anticipated payments on incurred claims under potentially moderately adverse development, although, consistent with the scope of my

review, the adequacy of the Company's reserves and related actuarial items in conjunction with the assets which support them has not been considered,

My review did not include asset adequacy analysis, as such analysis is not in the scope of my assignment. I have not reviewed any of the Company's assets and I have not formed any opinion as to their validity or value. My opinion rests on the assumption that the Company's March 31, 2007 statutory-basis unpaid claims liability is funded by valid assets that have suitably scheduled maturities and/or adequate liquidity to meet future cash flow requirements.

As part of my review, I conducted analysis consistent with Section 3.6, "Follow-Up Studies", contained in ASOP Number 5, "Incurred Health and Disability Claims", adopted by the Actuarial Standards Board in December 2000.

My review relates only to those reserves and related actuarial items identified herein, and I do not express an opinion on the Company's financial statements taken as a whole.

This opinion has been prepared solely for the Board and the management of the Company and for filing with state regulatory officials and is not intended for any other purpose.

Michael J. Cellini, ASA, FCA, MAAA

Associate, Society of Actuaries

Fellow, Conference of Consulting Actuaries

Member, American Academy of Actuaries

Ernst & Young, LLP

5 Times Square

New York, New York 10036-6530

(212) 773-0873



Getting Better All the Time

May 24, 2007

Mr. Michael Cellini, ASA, MAAA Ernst & Young LLP 5 Times Square New York, NY 10036

I, William R. Grimm, Vice President Finance for Tennessee Behavioral Health, Inc. ("the Company"), hereby affirm that the listings and summaries of claims, exposures and other relevant data as of March 31, 2007, prepared for and submitted to Michael Cellini, all of which are detailed in the attached schedule, were prepared under my direction and, to the best of my knowledge and belief, are accurate and complete, and are the same as or derived from the in force records and other data which form the basis for the Company's 2007 First Quarter Filing. I further affirm that the line of business classifications, claim incurral dates, claim payment dates, development intervals, reinsurance data and premium rate information contained in such listings, summaries, and related data are, to the best of my knowledge and belief, accurately stated. I further affirm that the Underwriting and Investment Exhibit of the Quarterly Statement was prepared consistent with the claim incurral and claim payment dates of the data provided to support determination of the liability for unpaid claims. I further affirm that the listings, summaries, line of business classifications, to the best of my knowledge and belief, are compiled on a basis consistent with comparable data at March 31, 2006.

Policy reserves, the liability for unpaid claims, and unearned premiums are net of reinsurance ceded amounts. All such reinsurance recoverable amounts are collectible at March 31, 2007. I am unaware of any material adverse change in the financial condition of the Company's reinsurers that might raise concern about their ability to honor their reinsurance commitments. The reinsurance contracts provided to you by the Company represent the Company's complete agreements with its ceding and assuming companies, and there are no modifications, either written or oral, of the terms of the Company's reinsurance contracts or additional reinsurance agreements that have not been provided to you.

I further affirm that, to the best of my knowledge and belief, the Company has no obligations or commitments at March 31, 2007 with respect to which actuarial reserves are required or appropriate, except those for which reserves and liabilities are included in the following exhibits and line items on page 3 of the Company's 2007 First Quarter Filing:

Claims unpaid

\$17,112,658

TBH – East TBH – Middle/West \$12,660,298 4,452,360

Total

\$17,112,658

. .

+--,--**-,**02

William R. Grimm

Vice President, Finance

TENNESSEE BEHAVIORAL HEALTH, INC.

STATEMENT OF OPINION ON ACCURACY AND COMPLETENESS OF RECORDS March 31, 2007

I, William R. Grimm, of Magellan Health Services hereby affirm that the records, listings, summaries of policies in force as of March 31, 2007, and other relevant data, prepared for and submitted to Ernst & Young, LLP, were prepared under my direction and, to the best of my knowledge and belief, are accurate and complete. I hereby affirm that the claims incurral dates, claims paid dates, and contract totals are, to the best of my knowledge and belief, accurately stated on the aforementioned records, listing, summaries, and other relevant data.

I further affirm that, to the best of my knowledge and belief, Tennessee Behavioral Health, Inc. has no obligation or commitments with respect to which actuarial reserves are required or appropriate other than those to which data in the aforementioned records, listings, summaries, and other relevant data relate.

Ulllam & Stirm

William R. Grimm VP Financial Operations - SBU Magellan Health Services Columbia, Maryland May 25, 2007

TBH East IBNR Analysis as of 3/31/07

Lag	G/L Balance	IBNR per lags	Difference
Outpatient		486,582	
Inpatient Private & Residential		6,062,778 6,062,778	
Supported Housing		466,797	
IOP		257,568	
Partial		4,456	
Transportation		404,959	
In-Home		508,669	
	8,191,809	8,191,809	· · · ·
GL vs Projection Analysis	GL	Projection	Margin
640-21400 FFS Claims	8,191,809	8,191,809	
640-21982 FFS PAD	655,345	655,345	-
640-21000 CMHC Lookback (2)	2,470,016	2,470,016	-
640-21005 Claims Cutoff (3)	1,343,129	1,343,129	. -
Subtotal	12,660,298	12,660,298	· •

TBH IBNR Analysis as of 3/31/07

Lag	G/L Balance	IBNR per lags	Difference
Outpatient		169,480	
Inpatient			
Private & Residential		2,738,748	
		2,738,748	
Supported Housing		167,302	
IOP		44,055	
Partial		1,701	
Transportation		53,903	
In-Home		56,116	
	3,231,305	3,231,305	· -
GL vs Projection Analysis			
	GL	Projection	Margin
640-21400 FFS Claims	3,231,305	3,231,305	-
640-21982 FFS PAD	258,504	258,504	-
640-21000 CMHC Lookback	148,800	148,800	•••
640-21005 Claims Cutoff	323,523	323,523	-
Subtotal	3,962,133	3,962,133	-
640-21805 Reinvestment	490,227	490,227	-
Total	4,452,360	4,452,360	

Reconcilation of Net Premium Income and Uncollected Premiums A: March 31, 2007 Tennessee Behavioral Health - Middle/West

		Jan-07	Feb-07	Mar-07	Total
Gross Revenue Paid	4,	5,160,589.65	4,870,763.38	5,243,113.90	15,274,466.93
Change in Retro Revenue Accrual 1	1,2	(39,154.11)	255,030.20	(100,784.16)	115,091.93
Total Revenue		5,121,435.54	5,125,793.58	5,142,329.74	15,389,558.86
Retro Revenue Accrual					

1,564,864.67 115,091.93

Balance, December 31, 2006 2007 Change in Balance Balanc

Balance, March 31, 2007		1,679,956.60
Uncollected Premiums		101 077 05
March 200/ 2.5% Withfield		00.770,101
Retro Receivable	1,2	1,679,956.60
Total		1,811,034.45

litted to the State and entered into payments system, at the time of initial payment certain members who	re paid at the non priority rates. TBH records an accrual related to this misclassification.
1. Due to timing of priority status assessment being submitted to the State and entered	would qualify for payment at the higher priority rates are paid at the non priority rate

2. Accrual for retroactive member additions. Comparison of eligibility to remittance.

Tennessee Behavioral Health - East Reconciliation of Net Premium Income and Uncollected Premiums A: March 31, 2007

		Jan-07	Feb-07	Mar-07	Total	
Gross Revenue Paid		11,704,066.08	10,490,457.88	10,516,164.58	32,710,688.54	
Change in Retro Revenue Accrual	1,2	(396,848.18)	736,141.54	668,638.90	1,007,932.26	
Total Revenue		11,307,217.90	11,226,599.42	11,184,803.48	33,718,620.80	
Retro Revenue Accrual						
Balance, December 31, 2006		1,559,631.24				
2007 Change in Balance		1,007,932.26				
Balance, March 31, 2007		2,567,563.50				
Uncollected Premiums						
March 2007 2.5% Withhold		262,904.11				
Retro Receivable	1,2	2,567,563.50				
Total Uncollected Premiums		2,830,467.61				

^{1.} Due to timing of priority status assessment being submitted to the State and entered into payments system, at the time of initial payment certain members who would qualify for payment at the higher priority rates are paid at the non priority rates. TBH records an accrual related to this misclassification.

^{2.} Accrual for retroactive member additions. Comparison of eligibility to remittance.

TennCare Partners Program Reconcilation of IBNR per MLR to Quarterly Filing March 31, 2007

	PBS	TBH	East
IBNR Per MLR Report	13,107,158	3,380,106	10,661,824
Adjustments .			
Claims Cutoff (1)	1,710,961	323,523	1,343,129
FFS PAD (2)	887,491	258,504	655,345
Reinvestment Reserve	542,730	490,227	_
Total Adjustments	3,141,182	1,072,254	1,998,474
IBNR Per Monthly Filing	16,248,340	4,452,360	12,660,298

- (1) Claims processed during month but not paid until April. Included as a component of paid claims on the MLR reports.
- (2) Ernst & Young requiring a 8% PAD above point estimate for FFS IBNR. Is an allowance for adverse deviation. Not reflected in MLR reports.

TennCare Partners Program Reconcilation of Medical Expense per MLR to Quarterly Filing March 31, 2007

	PBS	твн	East
Medical Expense Per MLR Report	45,162,178	11,247,420	30,463,141
<u>Adjustments</u>			
Adjustment to Prior Period IBNR (1)	(1,048,187)	(1,468,028)	(553,743)
FFS PAD (2)	802,564	237,286	570,613
Total Adjustments	(245,623)	(1,230,742)	16,870
Medical Expense Per Monthly Filing	44,916,555	10,016,678	30,480,011

⁽¹⁾ Adjustment to IBNR for 12/31/06 and prior dates of service. Ties to underwriting and investment exhibit.

⁽²⁾ Portion pertaining to 2006 only.

TennCare Partners Program Reconcilation of Revenue per MLR to Quarterly Filing March 31, 2007

	PBS	твн	East
Revenue Per MLR Report	58,268,890	15,365,351	33,623,771
Adjustments			
2006 retro membership (1)	91,610	24,208	94,850
Total Adjustments	91,610	24,208	94,850
Revenue Per Monthly Filing	58,360,500	15,389,559	33,718,621

⁽¹⁾ Change in 2006 revenue between December 2006 MLR report and March 2007 MLR report.